

AR14

A full-page photograph of a worker in a hard hat and dark clothing, leaning over and operating industrial machinery. The worker is positioned in the center-left of the frame, with their body angled towards the right. The background shows a complex structure of white and rusted metal beams and cables, suggesting an offshore oil platform or a large industrial facility. The lighting is bright, casting shadows on the worker's clothing and the surrounding structure.

Home Oil Company Limited Annual Report 1975



# HOME OIL COMPANY LIMITED

## 47th. Annual Report to the Shareholders

### Corporate Profile

Home Oil Company Limited, incorporated as a Dominion Company in 1929, is an independent Canadian oil and gas exploration and production company with its headquarters in Calgary, Alberta. Subsidiary offices are located in Tulsa, Oklahoma, Houston, Texas, and in London, England. Exploration activities are world-wide, with the heaviest concentration located in Canada and in the United States. The Company's principal producing properties, two pipeline systems, four gas processing plants, (all of which the Company operates and has ownership in), together with 14 gas plants in which the Company has an interest, are located in Alberta and British Columbia. The Company has a 50 per cent interest in a natural gas liquids (LPG) fractionation plant and underground storage facility at Hardisty, Alberta, and owns a large underground facility for the storage of LPG in Kansas. Home and its

United States subsidiary market LPG's in both Canada and in the United States. The Company does not engage in refining or retail marketing of gasoline. Other major corporate assets of Home include a 20 per cent partnership interest in a semi-submersible drilling vessel and an investment in TransCanada PipeLines Limited. In addition, the Company has substantial undeveloped coal reserves in south-western Alberta and south-eastern British Columbia, and has an investment in a silver mining property in Mexico.

### Shareholders' Meeting

The annual general meeting of shareholders will be held at 11 a.m. April 27, 1976, in the Marquis Room of The Palliser Hotel, Calgary, Alberta.

### Supplementary Information

The Company files annually with the United States Securities and Exchange Commission a report on its operations known as the Annual Report on Form 10-K. The Company also publishes annually a statistical supplement. Copies of this supplement and the SEC Form 10-K are available free of charge upon written request to: B. F. MacNeill, Comptroller, Home Oil Company Limited, 304 Sixth Avenue S.W., Calgary, Alberta T2P 0R4.

### Contents

Officers .....	1
Highlights .....	2
Report to the Shareholders .....	3
Exploration .....	6
Maps .....	8-9
Mining .....	10
Reserves .....	10
Production .....	12
Pipelines .....	14
Marketing .....	14
Financial Review .....	16
Summary of Operations .....	17
Financial Statements .....	18-26
Home's Shares .....	27
Five Year Review .....	28
Directors .....	Following Page 28

AR14

*Sub*

**Home Oil Company  
Limited**

INTERIM REPORT  
TO SHAREHOLDERS

FOR THE TWELVE MONTHS ENDED  
DECEMBER 31, 1975

304 - SIXTH AVENUE S.W.,  
CALGARY, ALBERTA  
T2P 0R4

MARCH 3, 1976

# HOME OIL COMPANY LIMITED

## 47th. Annual Report to the Shareholders

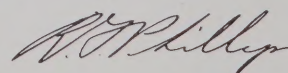
### Corpo Profile

## HOME OIL COMPANY LIMITED

The audited Consolidated Statement of Earnings for the years ended December 31, 1974 and 1975, which will appear in the Company's annual report is as follows:

	1975	1974
<b>REVENUE</b>		
Operating revenue.....	\$103,649,000	\$74,122,000
Investment income .....	5,930,000	5,398,000
	<u>109,579,000</u>	<u>79,520,000</u>
<b>EXPENSE</b>		
Operating .....	13,401,000	10,095,000
General and administrative .....	8,017,000	5,933,000
Depletion .....	20,937,000	17,604,000
Depreciation .....	3,405,000	2,913,000
Interest and expense on long-term debt.....	6,679,000	3,757,000
Other interest.....	596,000	2,869,000
Minority interest.....	401,000	(174,000)
	<u>53,436,000</u>	<u>42,997,000</u>
Net earnings before provision for income taxes .....	<u>56,143,000</u>	<u>36,523,000</u>
<b>PROVISION FOR INCOME TAXES</b>		
Current .....	27,447,000	11,761,000
Deferred .....	2,151,000	7,344,000
	<u>29,598,000</u>	<u>19,105,000</u>
<b>NET EARNINGS</b> before extraordinary items .....	<u>26,545,000</u>	<u>17,418,000</u>
<b>EXTRAORDINARY ITEMS</b>		
Loss on investment transactions — net .....	(3,287,000)	(3,902,000)
Gain on sale of assets — net.....	2,324,000	—
	<u>(963,000)</u>	<u>(3,902,000)</u>
<b>NET EARNINGS</b> .....	<u>\$25,582,000</u>	<u>\$13,516,000</u>
<b>EARNINGS PER SHARE</b>		
Before extraordinary items.....	\$ 3.26	\$ 2.14
After extraordinary items .....	\$ 3.14	\$ 1.66

The annual report, which will be mailed in early April, will contain audited financial statements together with details of the results of the operations of Home Oil Company Limited for the year 1975.



R. F. Phillips  
President and  
Chief Executive Officer

Calgary, Alberta  
March 3, 1976



During the first six months of 1975, the Company participated in the drilling of 25 exploratory wells and had a further interest in the drilling of 16 exploratory farmout wells. This drilling program resulted in two oil discoveries and seven gas wells in Alberta, British Columbia and the United States. Seven exploratory wells were still drilling at June 30th, 1975. In the same period the Company had varying interests in the development drilling of one oil well and 25 gas wells in Alberta and the United States.

Home recently announced a commercial discovery of gas and hydrocarbons on Block 561 offshore Texas in the Gulf of Mexico. The well encountered multiple pay zones which were established as productive. Follow up drilling is now under way on the 5,760 acre block in which the Company's interest is 15%.

In the Gulf of Tunisia, Home has committed to pay 33 1/3% of the cost of a test well to earn a 16 2/3% interest in a 722,000 acre permit. A seismic program has been completed and the partners have 2 years in which to complete the well to earn their interests.

The offshore Oman well in which Home is contributing 11 1/4% of the drilling costs to earn a 16 1/4% interest was drilling at month end. An extensive testing program commenced in early July and drilling will be resumed in order to explore deeper horizons.

The Company has selected a location for its second exploratory well in the North Sea on Block 210/19. The semi-submersible "Odin Drill" is to be used for this well and is expected to be on location in late August, 1975.

During the first half of 1975, the Alberta Energy Resources Conservation Board approved Home's application to produce 103,000 barrels per day of Synthetic Crude from its Tar Sands lease, subject to certain conditions. This approval allows the Company to proceed with further evaluations and planning aspects but many other problems must be resolved if the project is to proceed.

The Federal Budget of June 23, 1975 contained a number of provisions which indicate some reduction in the Federal-Provincial confrontation. While the Company applauds this attitude of both levels of Government, the industry must be allowed to retain a greater percentage of any further price increases in order to maintain exploration and development expenditures at a level necessary to achieve some measure of energy self-sufficiency in the future.

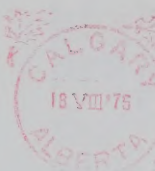
August 15, 1975  
Calgary, Alberta

R. F. Phillips  
President and  
Chief Executive Officer

HOME OIL COMPANY LIMITED  
304 - 6th Avenue S.W.  
Calgary, Alberta, Canada T2P 0R4



We  
Help  
It  
Happen

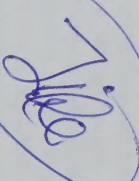


003496 01

THE GLOBE AND MAIL  
ATTN FINANCIAL EDITOR  
444 FRONT STREET WEST  
TORONTO, ONTARIO  
M5V 2S9

INTERIM REPORT  
TO SHAREHOLDERS

FOR THE FIRST HALF OF 1975

  
Home Oil Company  
Limited

304 - SIXTH AVENUE S.W.,  
CALGARY, ALBERTA  
T2P 0R4

AUGUST 15, 1975



## TO THE SHAREHOLDERS:

Net earnings before extraordinary items for the first half of 1975 totalled \$12,376,000 (\$1.52 per share) compared with \$10,837,000 (\$1.33 per share) for the first six months of 1974. Comparative figures for 1974 have been restated to reflect all retroactive provisions of the November 18, 1974 Federal Budget and the December 12, 1974 Alberta Petroleum Exploration Plan. Net earnings after extraordinary items amounted to \$8,358,000 (\$1.02 per share) compared to \$7,076,000 (\$0.87 per share) for 1974.

The net extraordinary loss totalled \$4,018,000. Sales of 188,636 shares of Atlantic Richfield together with a write down of costs on the remaining holdings of Atlantic Richfield to their approximate market value, resulted in an extraordinary loss of \$4,778,000. This was partially offset by extraordinary gains of \$760,000 realized mainly on the sale of 314,000 shares of TransCanada PipeLines and certain real estate. The Company sold a further 10,000 shares of Atlantic Richfield in July, reducing its holdings to 50,000 shares.

Gross revenue during the first six months of the year amounted to \$51,049,000, a 44% increase over the prior year's gross revenue of \$35,434,000. Crude oil and natural gas liquids production, before royalties and minority interest, amounted to 39,200 barrels per day while natural gas sales totalled 136,000 Mcf per day.

The Company has taken a number of steps to significantly improve its working capital position. Contributing to the working capital balance of \$25,681,000 at June 30, 1975 were the proceeds of \$28,795,000 from the sale of investments and assets, the reclassification of the remaining common shares of Atlantic Richfield to current assets and the application of the proceeds of \$15,000,000 from the issuance of 1 1/2% Secured Debentures against current bank debt. As a result the Company is in a strong position to carry out its 1975 exploration and development program.

Home has increased its exploration efforts, particularly in Alberta, over its initial 1975 program. Exploration prospects coupled with more favourable royalties and prices are largely responsible. Natural gas prices increased during the first half of 1975 to an approximate average of 60¢ per Mcf compared to 22¢ for the corresponding period of 1974. Additional increases in gas prices are expected during the last half of 1975.

## CONSOLIDATED STATEMENT OF EARNINGS

For the Six Months ended June 30, 1975  
(\$'000's omitted)

	1975	1974	As adjusted (Note A)
<b>REVENUE</b>			
Operating revenue	\$ 48,106	\$ 33,077	
Investment income	2,943	2,357	
	<u>51,049</u>	<u>35,434</u>	
<b>EXPENSE</b>			
Operating	5,871	3,309	
General and administrative	3,921	2,742	
Depletion	10,608	7,222	
Depreciation	1,677	1,323	
Interest and expense on			
long-term debt	3,194	1,144	
Other interest	591	778	
Minority interest	198	42	
	<u>26,060</u>	<u>16,560</u>	
Net earnings before income taxes	<u>24,989</u>	<u>18,874</u>	

### PROVISION FOR INCOME TAXES

Current	12,154	5,366
Deferred	459	2,671
	<u>12,613</u>	<u>8,037</u>

### NET EARNINGS before extraordinary items

	12,376	10,837
--	--------	--------

### EXTRAORDINARY ITEMS

(Loss) on Security transactions	(4,237)	(3,761)
Gain on Sale of Land	219	—
	<u>(4,018)</u>	<u>(3,761)</u>

### NET EARNINGS

	\$ 8,358	\$ 7,076
--	----------	----------

### BASIC EARNINGS PER SHARE

Before extraordinary items	\$ 1.52	\$ 1.33
After extraordinary items	\$ 1.02	\$ 0.87

### FULLY DILUTED EARNINGS PER SHARE

Before extraordinary items	\$ 1.50	\$ 1.32
After extraordinary items	\$ 1.00	\$ 0.86

### CASH FLOW Per Share

	\$ 24,958	\$ 21,263
	\$ 3.06	\$ 2.61

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Six Months ended June 30, 1975  
(\$'000's omitted)

	1975	1974	As adjusted (Note A)
<b>FUNDS WERE OBTAINED FROM</b>			
Net earnings before non-cash items	\$ 24,958	\$ 21,263	
Long term borrowings - net	15,000	—	59
Issuance of capital stock	—	—	15,982
Sale of investments and assets	<u>28,795</u>	<u>28,795</u>	
	<u>\$ 68,753</u>	<u>\$ 37,304</u>	

### FUNDS WERE USED FOR

Property, plant and equipment	\$ 11,939	\$ 30,419
Acquisition of Scurry-Rainbow Oil Limited Shares	—	49,127
Repayment of long-term debt	7,675	4,804
Net increase in other non-current assets	3,515	353
Dividends	<u>3,059</u>	<u>3,054</u>
	<u>26,188</u>	<u>87,757</u>

### Increase (Decrease) in working capital

	42,565	(50,453)
	<u>\$ 68,753</u>	<u>\$ 37,304</u>

### MAJOR BALANCE SHEET ITEMS (\$'000's omitted)

	1975	1974
Working Capital (deficiency)	\$ 25,681	\$ (47,051)
Investments	26,899	54,373
Property, plant and equipment - net	283,149	283,341
Long-term debt (less current maturities)	75,443	45,210
Minority interest	13,034	13,235
Accumulated tax reduction applicable to future years	48,254	42,571
Capital and surplus	<u>202,782</u>	<u>192,548</u>

### PRODUCTION AND SALES

	1975	1974 *
Crude oil and natural gas liquids (barrels/day)	39,200	36,200
Gross		
Natural gas (Mcf/day)	136,000	121,000
Gross		
Sulphur (long tons)	19,100	21,300
Gross		

\*Includes Scurry-Rainbow's production from June 1, 1974  
NOTE A

Results for 1974 have been restated to reflect all retroactive provisions of the November 18, 1974 Federal Budget and the December 12, 1974 Alberta Petroleum Exploration Plan.



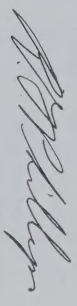
In October, the Company entered into farmout agreements which resulted in a significant exploration undertaking in the Mackenzie Delta and the Beaufort Sea areas of the Canadian frontier. The Delta 5 group, of which Home has a 20% interest, has committed to a farmout from Imperial Oil. Under the terms of the agreement, the Group will drill three wells with options of additional wells in order to earn varying interests in approximately 187,000 acres. The first well in this program commenced drilling in October, 1975.

In addition, a 30% interest in a 22,700 acre block held by Chevron Standard in the Mackenzie Delta will be earned by a four company group through the drilling of a well. The earning well commenced drilling in October. Home has a 25% interest in the group.

As an interim measure, the National Energy Board recently set up the wellhead price of Alberta natural gas at 72¢/MMBTU and the Alberta border price at 82.66¢/MMBTU, effective November 1, 1975. The prices were set in cooperation with the Alberta Government and they will be in effect until its proposed Natural Gas Marketing Legislation is approved and the National Energy Board has brought down its decision regarding Trans-Canada Pipelines new transportation tariff to the Canadian Eastern markets. Concurrently with the above prices, the U.S. border price will increase from \$1.40/Mcf. to \$1.60/Mcf and the National Energy Board has indicated that additional income from the border price will be distributed among all gas producers on a pro-rata basis.

NOVEMBER 17, 1975  
Calgary, Alberta

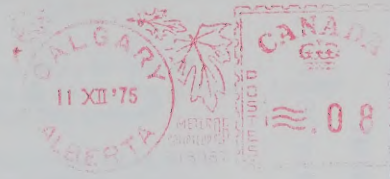
R. F. Phillips  
President and  
Chief Executive Officer



HOME OIL COMPANY LIMITED  
304 - 6th Avenue S.W.  
Calgary, Alberta, Canada T2P 0R4

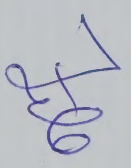


We  
Help  
It  
Happen



AR 1  
003496 01

THE GLOBE AND MAIL  
ATTN FINANCIAL EDITOR  
444 FRONT STREET WEST  
TORONTO, ONTARIO  
M5V 2S9



Home Oil Company  
Limited

INTERIM REPORT  
TO SHAREHOLDERS

FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 1975

304 - SIXTH AVENUE S.W.  
CALGARY, ALBERTA  
T2P 0R4

NOVEMBER 17, 1975



# TO THE SHAREHOLDERS:

Net earnings before extraordinary items for the period ending September 30, 1975, amounted to \$18,512,000 (\$2.27 per share) as compared with \$13,810,000 (\$1.70 per share) for the similar period in 1974. Comparative figures for 1974 have been restated to reflect the retroactive provisions of the Federal and Provincial Governments' tax legislation. Net earnings after extraordinary items totalled \$15,994,000 (\$1.96 per share) as compared to \$10,058,000 (\$1.24 per share) in 1974.

The net extraordinary loss totalled \$2,518,000 for the period. The sale of 223,636 shares of Atlantic Richfield and a write down of the remaining shares of ARCO together with a gain on the sale of 314,000 shares of TransCanada Pipelines Limited resulted in a net loss of \$3,953,000. This was partially offset by a gain of \$1,435,000 on the sale of other assets. As a result of these transactions the Company had a positive working capital balance of \$30,000,000 at September 30, 1975 which is more than adequate to meet its current exploration and development requirements.

Crude oil and natural gas liquids production, before royalties and minority interests, amounted to 39,200 barrels per day in comparison with 37,200 barrels per day in 1974. Natural gas sales averaged 126,200 Mcf per day as compared to 119,900 Mcf in 1974. Gross revenue increased 42% to \$78,752,000 from \$55,390,000.

During the first nine months of 1975, the Company participated in the drilling of 42 exploratory wells and had a further interest in the drilling of 18 exploratory farmout wells. The program resulted in the discovery of one oil well, 12 gas wells with 4 still drilling at September 30, 1975. The Company undertook a comprehensive development drilling program in 1975 which resulted in a total of 55 wells being drilled. To date this program resulted in 4 oil discoveries, 40 gas discoveries with 3 wells still in progress.

The Company's exploration program consisted of substantial land acquisitions and exploratory drilling, primarily concentrated in Alberta and the United States. Home's well 210/19-2 in the U.K. sector of the North Sea was drilled to final depth of 6,777 feet and abandoned. The offshore Oman well was drilled to 11,426 feet and abandoned. Further drilling is contemplated offshore Oman in 1976.

## CONSOLIDATED STATEMENT OF EARNINGS

For the Nine Months ended September 30, 1975  
(\$'000's omitted)

	1975	1974
		As adjusted (Note A)
<b>REVENUE</b>		
Operating revenue	\$ 74,539	\$ 51,786
Investment income	4,213	3,604
	<u>78,752</u>	<u>55,390</u>
<b>EXPENSE</b>		
Operating	9,258	5,634
General and administrative	5,937	4,295
Depletion	16,185	11,800
Depreciation	2,516	2,111
Interest and expense on long-term debt	4,983	2,365
Other interest	591	1,955
Minority interest	239	34
	<u>39,709</u>	<u>28,194</u>
Net earnings before income taxes	<u>39,043</u>	<u>27,196</u>
<b>PROVISION FOR INCOME TAXES</b>		
Current	19,449	8,608
Deferred	1,082	4,778
	<u>20,531</u>	<u>13,386</u>
<b>NET EARNINGS before extraordinary items</b>	<u>18,512</u>	<u>13,810</u>

### EXTRAORDINARY ITEMS

(Loss) on security transactions — net  
Gain on sale of other assets

	(3,953)	(3,752)
	1,435	—
	<u>(2,518)</u>	<u>(3,752)</u>

### NET EARNINGS

	<u>\$ 15,994</u>	<u>\$ 10,058</u>
--	------------------	------------------

### BASIC EARNINGS

PER SHARE  
Before extraordinary items  
After extraordinary items

	\$ 2.27	\$ 1.70
	\$ 1.96	\$ 1.24

### FULLY DILUTED EARNINGS

PER SHARE  
Before extraordinary items  
After extraordinary items

	\$ 2.23	\$ 1.68
	\$ 1.93	\$ 1.22

### CASH FLOW

Per Share	\$ 38,173	\$ 31,445
	\$ 4.68	\$ 3.86

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Nine Months ended September 30, 1975  
(\$'000's omitted)

	1975	1974
		As adjusted (Note A)
<b>FUNDS WERE OBTAINED FROM</b>		
Net earnings before non-cash items	\$ 38,173	\$ 31,445
Long-term borrowings - net	16,758	11,600
Issuance of capital stock	—	59
Sale of investments and assets - net	<u>32,261</u>	<u>15,991</u>
	<u>\$ 87,192</u>	<u>\$ 59,095</u>
<b>FUNDS WERE USED FOR</b>		
Property, plant and equipment	\$ 22,292	\$ 38,870
Acquisition of Scurry-Rainbow Oil Limited Shares	—	49,169
Repayment of long-term debt	11,331	7,467
Net increase in other non-current assets	4,010	529
Dividends	<u>3,059</u>	<u>3,054</u>
	<u>40,692</u>	<u>99,089</u>
Increase (Decrease) in working capital	46,500	(39,994)
	<u>\$ 87,192</u>	<u>\$ 59,095</u>

### SEPTEMBER 30

	1975	1974
<b>MAJOR BALANCE SHEET ITEMS (\$'000's omitted)</b>		
Working Capital (deficiency)	\$ 29,616	(\$ 36,591)
Investments	26,894	55,511
Property, plant and equipment - net	285,593	285,896
Long-term debt (less current maturities)	73,546	54,140
Minority interest	12,466	13,199
Accumulated tax reduction applicable to future years	48,878	44,679
Capital and surplus	<u>210,418</u>	<u>194,803</u>

### NINE MONTHS

	1975	1974*
<b>PRODUCTION AND SALES</b>		
Crude oil and natural gas liquids (barrels/day)	39,200	37,200
Gross		
Natural gas (Mcf/day)	126,200	119,900
Gross		
Sulphur (long tons)	27,200	36,900
Gross		

\*Includes Scurry-Rainbow's production from June 1, 1974  
NOTE A

Results for 1974 have been restated to reflect all retroactive provisions of the November 18, 1974 Federal Budget and the December 12, 1974 Alberta Petroleum Exploration Plan.



## Officers

### A. G. S. GRIFFIN

Chairman of the Board

### R. F. PHILLIPS

President and Chief Executive Officer

### M. P. PAULSON

Executive Vice-President and General Manager

### R. B. COLEMAN

Senior Vice-President, Secretary and General Counsel

### J. P. CRONE

Vice-President, International Operations

### I. M. DRUM

Vice-President, Special Projects

### F. C. FINN

Vice-President, Mining

### J. H. GEDDES

Vice-President

### W. D. LUNDBERG

Vice-President, Producing Operations

### B. B. ROMBOUGH

Vice-President, Finance

### W. T. WILKINSON

Vice-President

### D. E. DEAKIN

Treasurer

### B. F. MacNEILL

Comptroller

### C. B. CLARK

Assistant Treasurer

### F. G. MITCHELL

Assistant Secretary

## Auditors

Thorne Riddell & Co.

## Solicitors

Macleod Dixon

Calgary, Alberta

Dunnington, Bartholow & Miller

New York, New York

## Transfer Agents

Crown Trust Company

The Chase Manhattan Bank

## Listings

Toronto Stock Exchange

Vancouver Stock Exchange

Alberta Stock Exchange

Montreal Stock Exchange

American Stock Exchange

Pacific Coast Stock Exchange

## Active Subsidiary Companies

Scurry-Rainbow Oil Limited

Scurry-Rainbow Oil (Sask) Ltd.

Plains Petroleum Limited

Home Petroleum Corporation

Home Oil (U.K.) Limited

Oman Home Oil Limited

Foothills Oil and Gas Company, Limited

United Oils, Limited

## 50% Owned Companies

Federated Pipe Lines Ltd.

North Sea Services of Alberta Ltd.

## Head Office

304 Sixth Avenue S.W.,

Calgary, Alberta

T2P 0R4

Telephone (403) 266-7041

## United States Offices

Home Petroleum Corporation

Marketing and Corporate Divisions

P.O. Box 1649,

1000 Mid Continent Building,

409 South Boston,

Tulsa, Oklahoma 74101

Exploration Division

One Allen Center Building,

Suite 1900,

Houston, Texas 77002

## United Kingdom Office

4/5 Grosvenor Place,

London, SW1X 7JQ



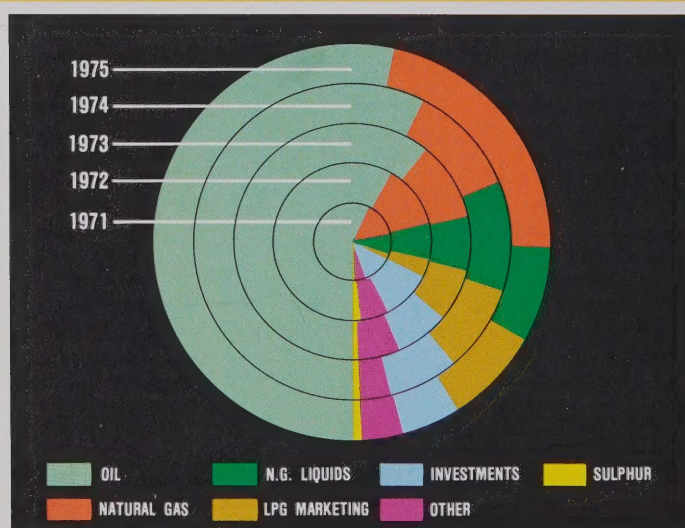
## Highlights

FINANCIAL	1975	1974
Gross Operating Revenue . . . . .	\$109,579,000	\$ 79,520,000
Net Earnings Before Extraordinary Items . . . . .	\$ 26,545,000	\$ 17,418,000
Per Share . . . . .	\$ 3.26	\$ 2.14
Net Earnings After Extraordinary Items . . . . .	\$ 25,582,000	\$ 13,516,000
Per Share . . . . .	\$ 3.14	\$ 1.66
Dividends Declared . . . . .	\$ 4,078,000	\$ 4,072,000
Per Class A Share . . . . .	\$ 0.50	\$ 0.50
Per Class B Share . . . . .	\$ 0.50	\$ 0.50
Working Capital at December 31 . . . . .	\$ 33,721,000	\$ (16,884,000)
Exploration Expenditures . . . . .	\$ 20,199,000	\$ 31,445,000
Development Expenditures . . . . .	\$ 9,885,000	\$ 3,745,000

## OPERATING\*

Crude Oil Production — Barrels Per Day . . . . .	35,564	33,714
Natural Gas Liquids Production — Barrels Per Day . . . . .	4,092	4,089
Natural Gas Sales — Million Cubic Feet Per Day . . . . .	125.2	119.5
Sulphur Sales — Long Tons . . . . .	35,801	54,886
Pipeline Throughputs		
Federated Pipe Lines Ltd. — Barrels Per Day . . . . .	294,738	314,524
Cremona Pipeline Division — Barrels Per Day . . . . .	43,759	46,517
Proven Developed Reserves at December 31		
Crude Oil and Natural Gas Liquids — Barrels . . . . .	152,725,000	166,593,000
Natural Gas — Thousand Cubic Feet . . . . .	782,570,000	810,822,000
Sulphur — Long Tons . . . . .	1,786,400	2,154,300
Exploration Acreage at December 31		
Gross Acres . . . . .	33,850,000	43,247,000
Net Acres . . . . .	7,976,000	11,797,000

\*Daily Production and Proven Reserves shown as Company's share before deduction of royalties and minority interests.



## Sources of Gross Revenue 1971-1975

	Per Cent				
	1975	1974	1973	1972	1971
Oil . . . . .	53.3	57.5	60.5	58.0	56.7
Natural Gas . . . . .	22.8	12.0	11.7	14.0	15.4
Natural Gas					
Liquids . . . . .	7.7	10.9	7.0	7.0	7.2
L.P.G. Marketing . . . . .	7.8	8.9	7.3	3.7	2.0
Investments . . . . .	4.7	6.8	7.6	10.0	11.3
Other . . . . .	3.1	3.3	5.4	6.3	6.4
Sulphur . . . . .	.6	.6	.5	1.0	1.0



## Report to The Shareholders

During 1975 the economic climate for the industry improved as a result of constructive actions taken by governments to reduce their high taxes and to implement higher prices for crude oil and natural gas. These actions, along with a better employment of assets, resulted in the improved financial performance for the year. Your Company achieved unprecedented levels of revenue, net earnings and cash flow from operations in 1975. This has put your Company in an improved position to invest in frontier exploration and other new ventures.

Canada has abundant opportunities to develop sources of energy but nevertheless Canadian consumers will be faced with significant energy deficiencies by the early 1980's. Solutions to our energy supply problems, both short and long term, depend more on political decisions than on technology and our potential resource availability. Since exploration costs have doubled in the past three years, a much larger cash flow and level of earnings is needed to meet the higher costs and to justify the high risks of frontier exploration. The oil industry has the skilled personnel, the know-how and the equipment to find new reserves of oil and gas. While it may be true that government agencies could carry out this function, valuable time is required to build up such a capacity. If we wish to develop Canada's energy resources, there is no substitute for making full use of the facilities and people now in place.

Two key issues of particular importance to Home Oil have yet to be resolved. Firstly, the Federal Government's new Canada land regulations must adequately recognize the risks experienced by operators in these high cost areas. If industry perceives these regulations as being too onerous to warrant major exploration and development investments, Canada's chances for energy self-sufficiency in the 1980's could be seriously impaired.

Secondly, the Federal and Alberta Governments must adopt policies which encourage oil sands development if significant production is to become a reality from this resource. The present fiscal and royalty policies are too burdensome considering today's high cost environment and it is unlikely that any further plants will be built under existing conditions. Like other potential oil sands developers, Home is concerned about escalating costs and uncertainties relating to royalty, taxation and future crude prices. Under these circumstances the future of our project remains in considerable doubt at this



R. F. Phillips, President and Chief Executive Officer

time and consequently we have curtailed further expenditures as well as our efforts to form a Canadian consortium until more favourable conditions prevail.

Home's major effort to achieve growth will continue to be through its exploration programs. Opportunities to purchase additional reserves, either directly or by corporate acquisitions, are also an important means of growth as are investments in other energy related fields. Our investments in oil transportation and LPG facilities have proven rewarding and we anticipate that our entry into the coal industry will be equally successful.

Last year we undertook a number of important financial steps which improved our working capital position from a deficit of \$17 million at the end of 1974 to a surplus of \$33.7 million at the end of 1975. This year we anticipate spending about \$50 million on exploration and development compared with \$30 million spent in 1975. Approximately \$33 million will be allocated to petroleum and mining exploration and \$17 million for the development of oil and natural gas properties and other related facilities. Funds generated from operations in 1976 plus the substantial working capital position at the end of 1975 will enable us to carry out these programs.

Home's production of crude oil and natural gas liquids increased by five per cent over last year. This growth is primarily a result of including a full year of Scurry-Rainbow's production. Production of crude oil from most of our major fields declined in 1975 for the



second straight year, partly because of reduced exports of Alberta oil to the United States market and partly from the natural decline of some of our fields. A further decline in production is anticipated in 1976 since the Federal Government will be continuing its program of curtailment of exports to the United States. Despite this forecast decline in crude production, our oil and gas revenues are not expected to fall.

The Company's 1975 Canadian exploration efforts were focused in Alberta where favourable near-term economic and geological prospects still exist. Our exploration activity in B.C. was at a low ebb last year because of unfavourable economics. However, since this situation has improved and because of our extensive land position, a material portion of our Canadian exploration budget will be expended in B.C. this year. During 1975 we also increased our exposure to longer-term ventures that have significant reserve potential such as those located in the Canadian frontier regions. Home participated in farm-ins in the Mackenzie Delta through the Delta Five Group in anticipation that the Canada land regulations in their final form will be realistic. The group is committed to drill four wells with options of additional wells in order to earn varying interests in a number of acreage blocks, both onshore and offshore, in the Beaufort Sea-Mackenzie Delta region.

During 1975 Home continued to increase its exploration activities in the United States. We had a promising wet gas discovery off shore Texas in 1975 and delineation drilling will be conducted this year to establish the threshold reserves required for development. In addition, several modest onshore discoveries were made by Home and by Scurry-Rainbow. However, development drilling from the production platform installed on Block 595 in 1975 yielded disappointing results. The expected reserves on which the development decision was based did not materialize, with the result that the future of this block remains uncertain.

The Company's mining activities are growing in importance. An expanded program of exploration for base and precious metals was carried out in Canada and the United States during the past year. Continued high prices and strong demand for coal make development of Scurry-Rainbow's Blairmore and Elk River properties more promising. Further details on the Company's mining activities are outlined in the mining section of the report.

During 1975 Mr. J. C. McCarthy resigned from the Board of Directors and was replaced by Mr. G. E. Creber. Col. James Innes of London, England, will be resigning from the Board at this year's annual meeting after many years of valued service to the Company. To replace him and expand western Canadian representation on the Board, Mr. W. D. C. Mackenzie of Calgary will be nominated. The Directors gratefully acknowledge the contributions made by both Mr. McCarthy and Col. Innes.

The Board appreciates the dedicated efforts of the employees and thanks them for their loyalty and support during the past year.

Submitted on behalf  
of the Board of Directors.



Chairman of the Board



President and Chief Executive Officer

Calgary, Alberta  
March 3, 1976.







## Exploration

The Company's land holdings at the end of December 1975 consisted of varying interests in 33,849,917 gross acres, for a net position of 7,975,563 acres. This represents a net decrease of 9,397,330 gross acres (3,821,717 net acres) from that reported in 1974.

During 1975 the Company participated in the drilling of 87 exploratory wells which resulted in six indicated oil wells in Alberta, Saskatchewan, Montana and Texas and 16 indicated gas wells. Six gas wells were in Alberta, three in north-eastern British Columbia, one in Texas, three in Wyoming and three in the Gulf of Mexico. In addition to the indicated oil and gas wells, the Company participated in the drilling of 53 dry holes with 12 wells still drilling at year end.

Home, together with two other companies, is currently conducting an exploratory program in a portion of the Deep Basin area of central Alberta. One well was completed in this area in 1975 as an indicated gas discovery and a follow-up well is planned for 1976. In the Rosevear field of west-central Alberta, Home participated in drilling three wells, one of which was completed as a major discovery in the Beaverhill Lake formation. The well was tested at a maximum rate of 25 million cubic feet per day and gas reserves in the Rosevear field are estimated at 400 billion cubic feet. While Home's interest in this discovery well is 12.5 per cent it has varying interests in surrounding acreage.

Because of government policies Home farmed out an interest in the Estevan area of Saskatchewan to another company and a well drilled resulted in a discovery of oil in the Winnipegosis formation. Both Home and Scurry have an interest in this well. This discovery is significant because it confirms the presence of oil in deeper formations in Saskatchewan.

In New Brunswick a 7,000 foot test on farmout lands is currently drilling. Home and its partner have an option to drill two additional wells to earn a 60 per cent interest in a license containing 3,368,338 acres.

During 1975 the Company entered into farmout agreements providing a significant exploration undertaking in the Mackenzie Delta and the Beaufort Sea areas of the Canadian frontier. The Delta Five Group, in which Home has a 20 per cent interest, is

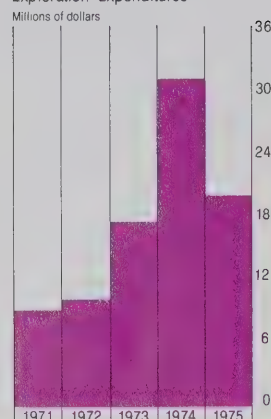
committed to a farmout from Imperial Oil. Under the terms of the agreement the Group will drill three wells with options of additional wells in order to earn varying interests in approximately 187,000 acres. One well in this program has been drilled and was dry and abandoned.

In addition, a 30 per cent interest in a 22,700 acre block held by Chevron Standard in the Mackenzie Delta will be earned by a four company group through the drilling of a well. The earning well commenced drilling in October 1975 and after final testing it was abandoned in March 1976. Home has a 25 per cent interest in the Group.

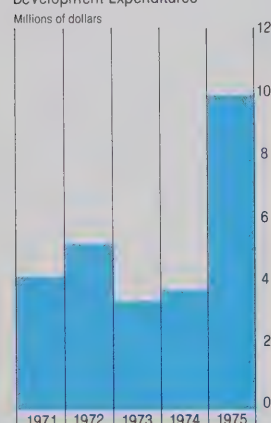
During the past three years the Company has noticeably increased its exploration activities in the continental United States while retaining a substantial land position in Alaska. Exploratory drilling in the Gulf of Mexico in previous years has met with moderate success. Results of the offshore Louisiana discovery, however, have been disappointing. The reserves originally projected for Block 595 did not materialize when development wells were drilled. On a more positive note, the Company had a promising discovery of gas and condensate on Block 561 offshore Texas last year and delineation drilling will take place this year to prove reserves necessary to warrant the construction of production facilities.

Home's main areas of onshore activity in the United States are located in Wyoming, North and South Dakota, Montana, Oklahoma and Texas, with land holdings in excess of one and a half million net acres. Last year the Company participated in several oil and gas discoveries in these regions, the most recent being a promising oil discovery in Wyoming last September.

Exploration Expenditures



Development Expenditures





In the United Kingdom a second offshore well was drilled on Block 210/19 in the North Sea. No hydrocarbons were encountered and the well was abandoned. Scurry-Rainbow's 20 per cent interest in Block 3/7 adjacent to the Ninian field has been considerably enhanced by recent drilling. A well was spudded on Block 3/7 in early February 1976.

In the Gulf of Tunis, in the Mediterranean Sea, Home participated in a seismic survey and will participate in the drilling of a well late in 1976 to earn an interest in a large permit.

In 1975 Home participated in the drilling of a well offshore Oman. Encouraging oil shows were encountered but the well was abandoned as unproductive. A second well will be drilled on this concession during the fourth quarter of 1976.

### Exploration Acreage December 31, 1975

	Petroleum & Natural Gas Leases (1)		Reservations, Licences and Permits		Totals	
	Gross	Net	Gross	Net	Gross	Net
<b>Canada</b>						
Alberta (1) .....	3,655,295	1,615,204	583,566	196,199	4,238,861	1,811,403
Arctic Islands .....	87,876	16,338	2,797,983	422,902	2,885,859	439,240
British Columbia (1) .....	442,125	130,311	1,176,816	360,695	1,618,941	491,006
Hudson Bay .....	—	—	64,493	64,493	64,493	64,493
Manitoba (1) .....	38,632	28,887	—	—	38,632	28,887
New Brunswick .....	—	—	3,368,338	—	3,368,338	—
Newfoundland .....	—	—	2,229,066	139,691	2,229,066	139,691
Nova Scotia .....	—	—	80,640	80,640	80,640	80,640
Northwest Territories .....	12,200	7,320	1,419,578	363,103	1,431,778	370,423
Ontario .....	1,384	830	—	—	1,384	830
Saskatchewan (1) .....	1,383,918	789,549	—	—	1,383,918	789,549
Yukon Territory .....	—	—	982,257	274,468	982,257	274,468
Quebec .....	—	—	1,178,126	344,181	1,178,126	344,181
	<u>5,621,430</u>	<u>2,588,439</u>	<u>13,880,863</u>	<u>2,246,372</u>	<u>19,502,293</u>	<u>4,834,811</u>
<b>Europe</b>						
Italy .....	—	—	273,649	123,142	273,649	123,142
Malta .....	—	—	319,274	67,846	319,274	67,846
Netherlands — Offshore .....	—	—	1,200,000	30,000	1,200,000	30,000
United Kingdom — Offshore .....	—	—	212,246	45,475	212,246	45,475
United Kingdom — Onshore .....	—	—	457,135	130,321	457,135	130,321
	<u>—</u>	<u>—</u>	<u>2,462,304</u>	<u>396,784</u>	<u>2,462,304</u>	<u>396,784</u>
<b>United States</b>						
Alaska .....	500,844	407,717	—	—	500,844	407,717
Gulf of Mexico — Offshore .....	38,800	7,276	—	—	38,800	7,276
Montana .....	526,360	416,065	—	—	526,360	416,065
North & South Dakota .....	1,041,329	527,722	—	—	1,041,329	527,722
Oklahoma .....	6,157	1,345	—	—	6,157	1,345
Texas .....	179,940	41,737	—	—	179,940	41,737
Utah .....	145,273	43,135	—	—	145,273	43,135
Wyoming .....	353,945	105,215	—	—	353,945	105,215
Arizona .....	167,964	167,964	—	—	167,964	167,964
Southeastern States (2) .....	62,843	50,544	—	—	62,843	50,544
	<u>3,023,455</u>	<u>1,768,720</u>	<u>—</u>	<u>—</u>	<u>3,023,455</u>	<u>1,768,720</u>
<b>Others</b>						
Oman .....	—	—	3,211,520	521,872	3,211,520	521,872
Somali .....	—	—	4,928,000	453,376	4,928,000	453,376
Tunisia .....	—	—	722,345	—	722,345	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Totals</b> .....	<u>8,644,885</u>	<u>4,357,159</u>	<u>25,205,032</u>	<u>3,618,404</u>	<u>33,849,917</u>	<u>7,975,563</u>

(1) Includes Mineral Titles, Mineral Leases and Royalty Interest Acreage.

(2) Alabama, Florida, Kentucky, Louisiana, Mississippi, Arkansas.

# North America

## HOME'S AREAS OF INTEREST

- 1 ARCTIC ISLANDS
- 2 BEAUFORT SEA
- 3 ALASKA
- 4 YUKON TERRITORIES
- 5 NORTHWEST TERRITORIES
- 6 HUDSON BAY
- 7 BRITISH COLUMBIA
- 8 ALBERTA
- 9 SASKATCHEWAN
- 10 MANITOBA
- 11 ONTARIO
- 12 QUEBEC
- 13 NEW BRUNSWICK
- 14 NOVA SCOTIA
- 15 NEWFOUNDLAND (Offshore)
- 16 MONTANA
- 17 NORTH DAKOTA
- 18 SOUTH DAKOTA
- 19 MICHIGAN
- 20 WYOMING
- 21 UTAH
- 22 ARIZONA
- 23 KENTUCKY
- 24 OKLAHOMA
- 25 ARKANSAS
- 26 MISSISSIPPI
- 27 ALABAMA
- 28 FLORIDA
- 29 LOUISIANA
- 30 TEXAS
- 31 GULF OF MEXICO
- 32 MEXICO

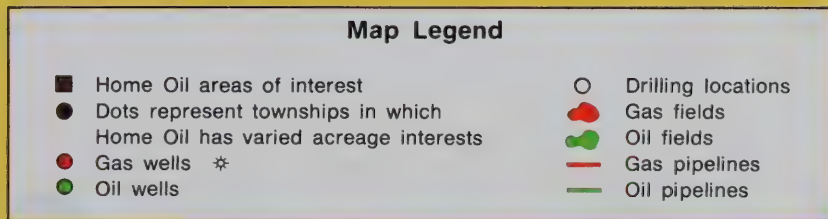
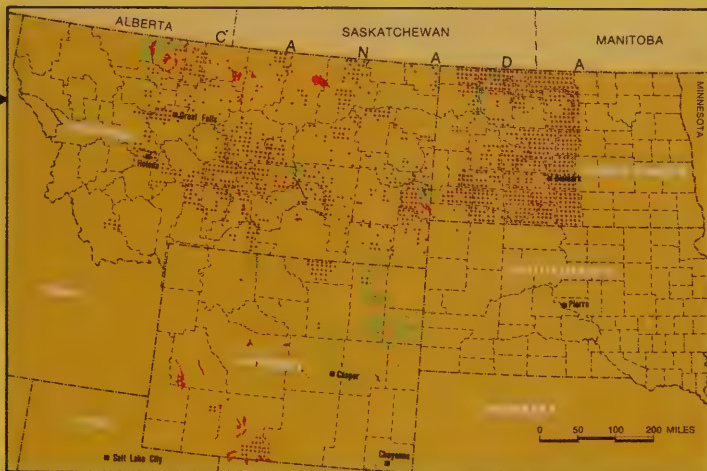
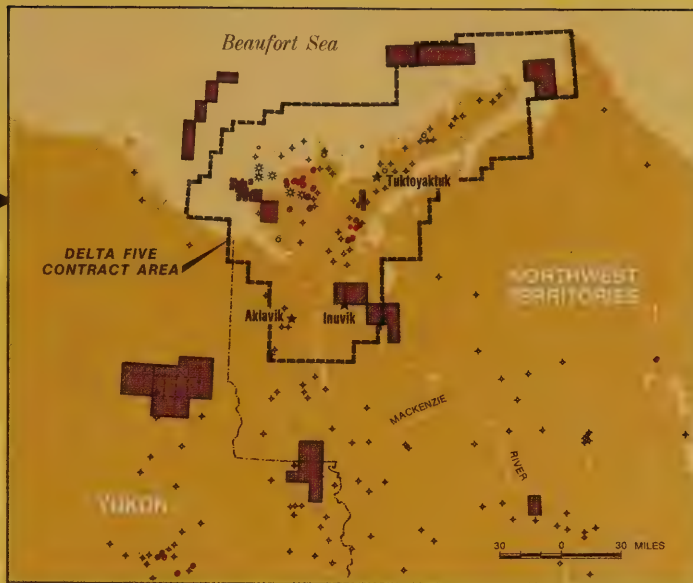
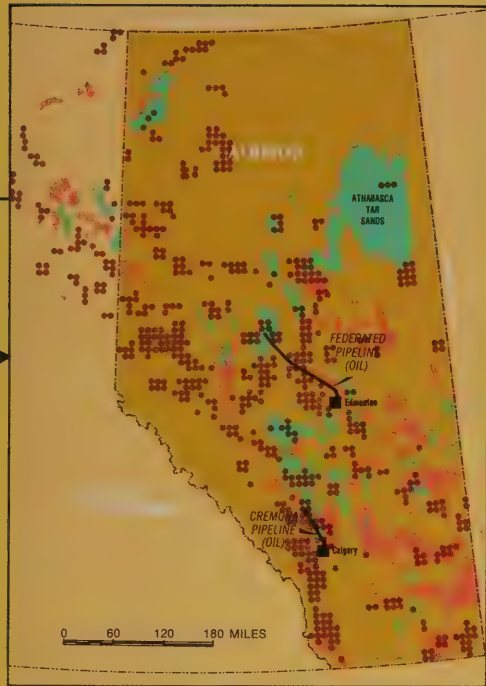
0 400 800 1200 MILES

# Europe and Middle East

- 33 NORTH SEA
- 34 YORKSHIRE
- 35 ITALY (Offshore)
- 36 TUNISIA (Offshore)
- 37 MALTA (Offshore)
- 38 OMAN (Offshore)
- 39 SOMALI

0 200 400 600 800 MILES







## Mining

### COAL

Consolidation Coal Company of Canada has exercised its option to purchase a 50 per cent working interest in Scurry's Blairmore and Ram River coal properties. Extensive exploration programs and feasibility studies have been undertaken during the past several years and on the basis of these results sufficient surface mineable reserves have been indicated to warrant development. A multi-phase development plan for the Blairmore properties is currently being prepared by Consol. The Elk River coal properties in which Scurry has a 50 per cent interest are being evaluated by a company formed by a consortium of European steel manufacturers. Preliminary results from an evaluation program consisting of deposit delineation,

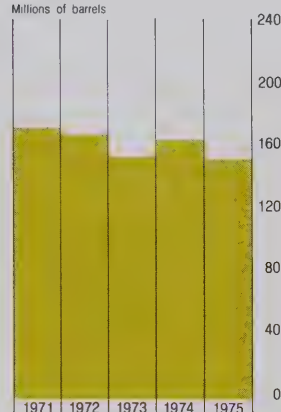
coal quality testing and mining feasibility studies are encouraging and it is anticipated that development of a commercial project will proceed.

### METALLICS

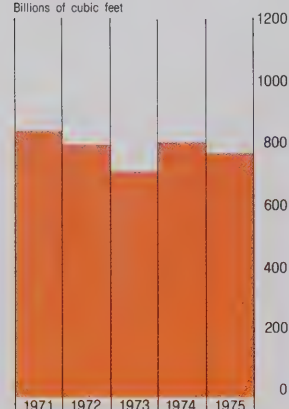
Scurry owns a 49 per cent working interest in the Santa Rita silver mine located in central Mexico. Underground development was carried out in 1974 and 1975 to prove sufficient reserves to justify construction of a mill and antimony leaching plant. A small mill was built on site and is operating but commencement of full scale production is currently being delayed pending completion of the leaching plant.

## Reserves

Proven Developed Reserves —  
Crude Oil & N.G. Liquids  
Millions of barrels



Proven Developed Reserves —  
Natural Gas  
Billions of cubic feet



The Company's proven developed crude oil, natural gas liquids, natural gas and sulphur reserves at January 1, 1976, before deduction of royalties and minority interests, are summarized in the accompanying table. Minor additions to proven reserves for recent oil and gas discoveries in the United States and Canada have been insufficient to replace 1975 production.

### PROVEN DEVELOPED RESERVES

(Before deduction of royalties and minority interests)

	January 1, 1976	January 1, 1975
Crude Oil — barrels . .	137,015,000	150,442,300
Natural Gas Liquids — barrels . . . . .	15,709,500	16,151,100
Natural Gas —thousand cubic feet	782,570,000	810,822,000
Sulphur — long tons .	1,786,400	2,154,300

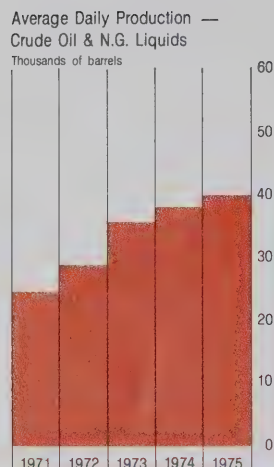
The above figures exclude proven undeveloped and probable additional reserves. Bitumen reserves underlying Home's jointly held leases in the Athabasca Oil Sands are also excluded.







## Production



Production of crude oil and natural gas liquids (condensate, propane and butane), before the deduction of royalties and minority interest, averaged 39,656 barrels per day in 1975, an increase of five per cent over the 37,803 barrels per day produced during 1974. Natural gas sales averaged 125.2 million cubic feet per day in 1975, compared to 119.5 million cubic feet per day in 1974. Sulphur sales for 1975 totalled 35,801 long tons, compared to 54,886 long tons in the previous year.

The increase in production quantities is primarily due to the inclusion of Scurry-Rainbow's production for a full year in 1975. This occurred despite the natural decline in production from some of the Company's older properties, noticeably the Pembina oil field and the Carstairs-Elkton gas field. The Company's efforts are being directed towards arresting the rate of natural decline in certain properties wherever it is economically attractive to do so.

As a result of the agreement reached between the Alberta and Federal Governments in 1975, the Alberta border price at December 31, 1975, was approximately \$0.83 per Mcf, which corresponds to an average wellhead price of approximately \$0.71 per Mcf in Home's case. In addition, approximately \$0.22 per Mcf was received relating to gas export to the U.S. under rules of the National Energy Board. At the year end the weighted average selling price for all of Home's gas was approximately \$0.93 per Mcf, compared to \$0.49 per Mcf a year earlier. The recent increase in gas prices and further increases expected in the future have made it economically feasible to develop shut-in gas reserves of the Company located in various areas of Alberta and British Columbia. The first of these will start producing through a small Home operated plant in the Bashaw area of central Alberta during the third quarter of 1976.

During 1974 and 1975 the Company's U.S. subsidiary commenced production operations in Oklahoma, Texas, Wyoming and Alabama. It is anticipated that additional development programs will be undertaken in 1976 to increase the Company's production of crude oil and natural gas in the United States.

In the Coleman area of south-western Alberta construction of a gathering system to transport the gas to an existing processing plant was completed at the end of September and gas went on stream in November 1975. Initial production rates are in the order of 33 MMcf per day of raw gas. Scurry-Rainbow and Plains Petroleum Limited, a 66 per cent subsidiary of Scurry, have an 8.17 per cent and 9.05 per cent interest in this project respectively.

In 1975 the Company had an interest in the drilling of 101 development wells resulting in four oil wells and 80 gas wells with six wells still drilling at year end. Two of the oil wells are located in Alberta, one in Saskatchewan and one in Wyoming. Seventy-two of the gas wells are in Alberta with one in Alabama, one in Oklahoma, two in Wyoming and four offshore Louisiana. Of the 72 gas wells in Alberta 51 were shallow wells in which Home's interest consists of an overriding royalty.



## Source of Production

(Before Deduction of Royalties)

## Producing Area

	1975	1974
<b>CRUDE OIL — <i>Barrels</i></b>		
<b>ALBERTA</b>		
Swan Hills . . . . .	6,177,466	6,163,892
Mitsue-Saulteaux . . . . .	1,247,071	1,220,488
Virginia Hills . . . . .	878,233	1,003,129
Pembina . . . . .	794,970	809,562
Harmattan-Elkton . . . . .	536,382	513,888
Turner Valley . . . . .	383,024	367,545
Leduc-Woodbend . . . . .	193,674	234,436
Redwater . . . . .	272,336	208,072
Others . . . . .	1,048,187	716,871
	<u>11,531,343</u>	<u>11,237,883</u>
<b>Saskatchewan</b>		
Workman . . . . .	385,767	237,896
Other . . . . .	460,995	404,760
	<u>846,762</u>	<u>642,656</u>
<b>British Columbia</b>		
	<u>502,523</u>	<u>378,397</u>
<b>Manitoba</b>		
	<u>54,619</u>	<u>39,795</u>
<b>United States</b>		
Wyoming . . . . .	38,281	2,800
Utah . . . . .	4,749	4,289
Others . . . . .	2,840	—
	<u>45,870</u>	<u>7,089</u>
Total Crude Oil . . . . .	<u>12,981,117</u>	<u>12,305,820</u>
Daily Average . . . . .	<u>35,564</u>	<u>33,714</u>
<b>NATURAL GAS LIQUIDS — <i>Barrels</i></b>		
<b>Alberta</b>		
Carstairs-Elkton . . . . .	586,096	669,208
Harmattan . . . . .	285,853	266,326
Nevis . . . . .	173,676	158,740
Calgary . . . . .	86,693	99,372
Others . . . . .	361,171	298,781
Total Natural Gas Liquids . . . . .	<u>1,493,489</u>	<u>1,492,427</u>
Daily Average . . . . .	<u>4,092</u>	<u>4,089</u>
Total Crude Oil and Natural Gas Liquids . . . . .	<u>14,474,606</u>	<u>13,798,247</u>
Daily Average . . . . .	<u>39,656</u>	<u>37,803</u>
<b>NATURAL GAS — <i>Thousand Cubic Feet</i></b>		
<b>Alberta</b>		
Carstairs-Elkton . . . . .	14,498,134	15,428,676
Nevis . . . . .	6,127,672	5,507,189
Swan Hills . . . . .	3,638,631	3,364,880
Marten Hills . . . . .	2,637,768	2,573,828
Calgary . . . . .	2,251,109	2,430,143
Crossfield . . . . .	2,715,204	1,580,927
Harmattan-Elkton . . . . .	1,547,244	1,439,712
Turner Valley . . . . .	762,685	1,292,167
Whitecourt . . . . .	1,006,802	1,250,751
Nordegg-Brazeau . . . . .	1,172,149	1,148,659
Sarcee . . . . .	774,331	924,545
Jumping Pound . . . . .	817,387	750,341
Retlaw . . . . .	702,649	658,492
Pendor . . . . .	135,348	378,329
South Elkton . . . . .	261,352	329,008
Others . . . . .	6,122,031	4,264,198
	<u>45,170,496</u>	<u>43,321,845</u>
<b>British Columbia</b>		
	<u>90,330</u>	<u>110,926</u>
<b>United States</b>		
	<u>427,849</u>	<u>192,980</u>
Total Natural Gas . . . . .	<u>45,688,675</u>	<u>43,625,751</u>
Daily Average . . . . .	<u>125,174</u>	<u>119,523</u>



## Pipelines

### FEDERATED PIPE LINES LTD.

During 1975 Federated Pipe Lines Ltd., 50 per cent owned and operated by the Company, had a throughput averaging 294,738 barrels per day, down six per cent from 314,524 barrels per day in 1974. The reduction in throughput is primarily a result of reduced export volumes of Canadian crude. The 1975 throughput represents approximately 27 per cent of Alberta's total light and medium crude production, as compared to 24 per cent for 1974. Throughputs peaked at 358,100 barrels per day during 1975 as compared to 359,500 barrels per day in 1974. Federated has a rated main line capacity of 450,000 barrels per day.

### CREMONA PIPE LINE DIVISION

Cremona Pipe Line Division's throughput of crude, condensate and butane averaged 43,759 barrels per day in 1975, a decrease of six per cent from 46,517 barrels per day in 1974.

## Marketing

Marketing and storage divisions of Home and its U.S. subsidiary, Home Petroleum Corporation, continued their profitable operations. Canadian Government export restrictions and price regulations relative to LPG, together with the abnormally warm weather experienced during the last quarter of 1975 in North America, have resulted in an over-supply situation and a general weakening of the price of both propane and butane. As a result, the volume of product handled declined approximately 10 per cent from 1974, but the nearly 200 million gallons handled fully utilized our railway tank car fleet of 400 units.

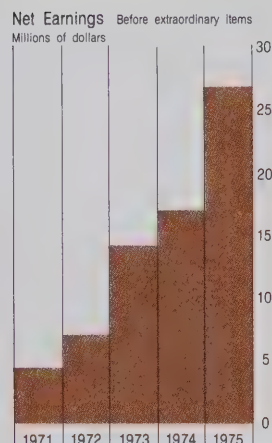
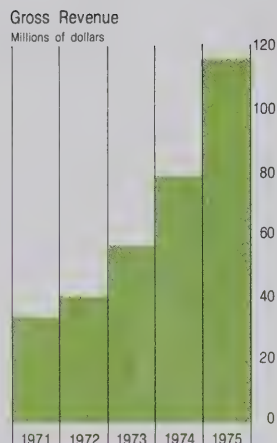
The surplus which developed in the LPG market was beneficial to our large underground storage facilities for natural gas liquids located at Conway, Kansas, and Hardisty, Alberta. This storage was completely utilized during the year and, particularly during periods of over-supply, is of great assistance to our marketing activities. The storage capacity at both locations was enlarged during the year from a total of 10,821,000 barrels at the end of 1974 to approximately 11,600,000 barrels in 1975.

The sulphur market, buoyant during the early part of the year, started to deteriorate in mid-year. World economic conditions had an adverse effect on export sales while similar conditions, coupled with prolonged strikes in the Canadian pulp and paper industry, seriously curtailed the North American market. By year end there was a marked drop in both the demand for and the price of sulphur. Sales tonnage for the year was considerably below 1974 but, due to a higher yearly average price, net receipts increased.





## Financial Review



During 1975 the Company's gross revenue after royalties increased to \$109,579,000 from the previous year's record high of \$79,520,000. The increase is primarily due to higher prices for crude oil and natural gas, increased United States storage operations and the inclusion of Scurry-Rainbow's results for a full year in 1975. The substantial increase in gross revenue was partially offset by increased operating expenses, administrative expenses, depletion charges and income tax expense.

Net earnings before extraordinary items totalled \$26,545,000 (\$3.26 per share) compared to \$17,418,000 (\$2.14 per share) for the similar period in 1974.

During the year the Company recorded a net extraordinary loss of \$963,000 (\$0.12 per share). The sale of 228,636 common shares of Atlantic Richfield Company and a write-down of the remaining shares of ARCO to the price realized in 1976, together with the gain on the sale of 314,000 common shares of TransCanada PipeLines Limited and the investment in Crownco Holdings Limited, resulted in a net loss of \$3,287,000. The loss was partially offset by a gain of \$2,324,000 on the sale of land and other assets.

Net earnings after extraordinary items amounted to \$25,582,000 (\$3.14 per share) as compared to \$13,516,000 (\$1.66 per share) in 1974. Net flow of funds from operations amounted to \$53,470,000 compared to \$43,411,000 in 1974, an increase of 23 per cent.

The Company's capital expenditure program for 1975 totalled \$31,584,000, consisting of exploration expenditures of \$20,199,000, development expenditures of \$9,885,000, with the balance relating to other capital items.

In April 1975 the Company completed arrangements with three Canadian institutions for a \$15,000,000 11½% secured loan repayable over an 11 year term. As a result of this transaction and the sale of investments and assets, the Company had a working capital balance of \$33,721,000 at December 31, 1975.

In December 1975 Home Petroleum Corporation entered into an agreement with a U.S. utility whereby in exchange for entering into a gas sales agreement covering the Company's interest in Blocks 560 and 561, offshore Texas, the utility advances funds on an interest free basis to cover exploration and development expenditures on these blocks. Advances in 1975 on the Texas blocks and Block 595, offshore Louisiana, totalled \$3,170,000 and are repayable over a five year term from the date of commencement of production.

In 1975 approval was given to increase the authorized share capital of the Company from seven million Class A shares to 10 million Class A shares to gain greater flexibility should it become desirable in the future to increase the equity capital of the Company.

Dividends of \$0.50 per share were declared on the Class A shares and the Class B shares. Semi-annual dividend payments of \$0.25 per share were made on January 1 and July 1, 1975.

## EMPLOYEES

Home and its subsidiary companies employed 730 persons at December 31, 1975, compared to 740 employees at December 31, 1974. The expansion of the exploration division in Houston increased the Company's personnel in the U.S. by 23 employees. However, this staff increase was offset by terminations resulting from the closure of the Pickering Gas Plant in the U.K. and certain other job restructuring.

During 1975 service awards were presented to 58 employees. The collective service of these employees represents more than 930 years and it is particularly significant that half of these awards were for service in excess of 20 years.

Handwritten calculations:

$$\begin{array}{r} 26.5 \\ 17.4 \\ \hline 9.1 \end{array}$$

$$\begin{array}{r} 174 \overline{) 9100} \\ \underline{870} \phantom{00} \\ 400 \phantom{0} \end{array}$$



## Summary of Operations

	1975	1974	1973	1972	1971
Revenue . . . . .	\$109,579,000	\$79,520,000	\$56,014,000	\$39,933,000	\$34,252,000
Expenses					
Operating, general and administrative and minority interest . . . .	21,819,000	15,854,000	12,465,000	9,600,000	9,488,000
Depletion and depreciation . . . . .	24,342,000	20,517,000	15,043,000	13,207,000	9,877,000
Interest expense . . . . .	7,275,000	6,626,000	3,811,000	4,874,000	6,415,000
	<u>53,436,000</u>	<u>42,997,000</u>	<u>31,319,000</u>	<u>27,681,000</u>	<u>25,780,000</u>
Net earnings before provision for income taxes . . . . .	56,143,000	36,523,000	24,695,000	12,252,000	8,472,000
Provision for income taxes . . . . .	<u>29,598,000</u>	<u>19,105,000</u>	<u>10,183,000</u>	<u>5,162,000</u>	<u>3,808,000</u>
Net earnings before extraordinary items . . . . .	26,545,000	17,418,000	14,512,000	7,090,000	4,664,000
Extraordinary items . . . . .	<u>(963,000)</u>	<u>(3,902,000)</u>	<u>(295,000)</u>	<u>2,198,000</u>	<u>838,000</u>
Net earnings . . . . .	<u>\$ 25,582,000</u>	<u>\$13,516,000</u>	<u>\$14,217,000</u>	<u>\$ 9,288,000</u>	<u>\$ 5,502,000</u>

Revenue increased in 1972 mainly as a result of higher production of crude oil and natural gas. Increased prices for both products together with a continuation of production growth resulted in substantially higher revenue in 1973.

Revenue for 1974 increased by approximately 42% from 1973. This results from additional price increases for both crude oil and natural gas, partially offset by reduced production of both products. In addition, the results of Scurry-Rainbow Oil Limited are included from June 1, 1974.

Revenue for 1975 increased by approximately 38% from 1974. This reflects substantially higher oil and gas prices together with an approximate 5% increase in production resulting mainly from inclusion of Scurry's results for the full year. United States L. P. G. marketing and storage operations contributed approximately an additional \$1,600,000 of revenue in 1975.

Income taxes for 1974 incorporate the effect of government tax measures enacted effective May, 1974 which accounted for more than half of the increase over 1973. Income taxes for 1975 increased by approximately 54.9% over 1974 reflecting the effects of the new tax legislation for a full year together with the higher revenues. Depletion and depreciation expense during the years 1973 to 1975 increased mainly as a result of the Scurry-Rainbow consolidation. Interest expense in 1974 was materially higher due to bank borrowings used to finance the Scurry acquisition. Interest expense increased further in 1975, for the same reason but was arrested by the elimination of bank indebtedness largely from funds generated internally and by investment sales.

Extraordinary items in 1971, 1973 and 1974 relate wholly to gains or losses on sales of investments. The extraordinary item of \$2,198,000 in 1972 is the net result of a gain on the sale of investments and a \$2,700,000 write-down of the Company's interest in the Lockton gas plant. The 1975 extraordinary loss of \$963,000 results from a net loss of \$3,287,000 on the sale of investments and a net gain of \$2,324,000 on the sale of land and other assets.

Additional information relating to the above items is contained in the Directors' report to the shareholders, the financial, production and five-year reviews and in the notes to the consolidated financial statements.

The following table shows the percentage of gross revenue contributed by the two major sources during each of the five years ended December 31, 1975:

	1975	1974	1973	1972	1971
Crude oil . . . . .	53.25%	57.52%	60.52%	57.95%	56.66%
Natural gas and related products . . . . .	31.16%	23.49%	19.33%	21.86%	23.66%

The Company produces crude oil, natural gas and other products principally as a result of one integrated operation. Frequently these products are produced jointly. Accordingly, it is not possible to allocate expenses to revenues generated by product in order to determine the contribution to net earnings by individual product line.

**Consolidated Statement of Changes in Financial Position**

	<b>For The Years Ended December 31,</b>	
	<b>1975</b>	<b>1974</b>
<b>Funds Were Obtained From</b>		
Net earnings before extraordinary items . . . . .	\$ 26,545,000	\$ 17,418,000
Adjustment for non-cash items and difference between earnings of 50% owned companies and dividends received . . . . .	26,925,000	25,993,000
Net flow of funds from operations . . . . .	53,470,000	43,411,000
Sale and reclassification of investments — net . . . . .	29,108,000	16,423,000
Sale of assets — net . . . . .	4,964,000	593,000
Issuance of capital stock (Note 6) . . . . .	265,000	59,000
Long-term borrowings . . . . .	18,268,000	29,533,000
Other . . . . .	—	1,488,000
	<u>\$106,075,000</u>	<u>\$ 91,507,000</u>
<b>Funds Were Used For</b>		
Property, plant and equipment . . . . .	\$ 31,586,000	\$ 44,283,000
Reduction in long-term debt . . . . .	13,787,000	11,354,000
Dividends . . . . .	4,078,000	4,072,000
Investments and advances . . . . .	4,706,000	1,772,000
Other . . . . .	1,313,000	—
Acquisition of Scurry-Rainbow Oil Limited (Note 1) . . . . .	—	44,174,000
	55,470,000	105,655,000
<b>Increase (Decrease) in Working Capital . . . . .</b>	<b>50,605,000</b>	<b>(14,148,000)</b>
	<u>\$106,075,000</u>	<u>\$ 91,507,000</u>
<b>Changes in Components of Working Capital</b>		
<b>Increase (Decrease) in Current Assets</b>		
Cash and short-term deposits . . . . .	\$ 28,075,000	\$ 9,793,000
Accounts receivable . . . . .	8,871,000	4,068,000
Marketable securities . . . . .	1,934,000	—
Inventories . . . . .	2,696,000	3,332,000
	<u>41,576,000</u>	<u>17,193,000</u>
<b>Decrease (Increase) in Current Liabilities</b>		
Bank indebtedness . . . . .	20,700,000	(19,001,000)
Accounts payable and accrued charges . . . . .	(4,206,000)	(3,664,000)
Dividends . . . . .	(4,000)	(3,000)
Income taxes . . . . .	(5,570,000)	(5,873,000)
Current maturities on long-term debt . . . . .	(1,891,000)	(2,800,000)
	<u>9,029,000</u>	<u>(31,341,000)</u>
<b>Increase (Decrease) in Working Capital . . . . .</b>	<b>\$ 50,605,000</b>	<b>\$ (14,148,000)</b>



**Consolidated Statement of Earnings**

	For The Years Ended December 31,	
	1975	1974
<b>Revenue</b>		
Operating revenue . . . . .	\$103,649,000	\$ 74,122,000
Investment income . . . . .	5,930,000	5,398,000
	<u>109,579,000</u>	<u>79,520,000</u>
<b>Expense</b>		
Operating . . . . .	13,401,000	10,095,000
General and administrative . . . . .	8,017,000	5,933,000
Depletion . . . . .	20,937,000	17,604,000
Depreciation . . . . .	3,405,000	2,913,000
Interest and expense on long-term debt . . . . .	6,679,000	3,757,000
Other interest . . . . .	596,000	2,869,000
Minority interest . . . . .	401,000	(174,000)
	<u>53,436,000</u>	<u>42,997,000</u>
Net earnings before provision for income taxes . . . . .	56,143,000	36,523,000
<b>Provision For Income Taxes</b> (Note 5)		
Current . . . . .	27,447,000	11,761,000
Deferred . . . . .	2,151,000	7,344,000
	<u>29,598,000</u>	<u>19,105,000</u>
<b>Net Earnings</b> before extraordinary items . . . . .	26,545,000	17,418,000
<b>Extraordinary Items</b>		
Loss on investment transactions — net . . . . .	(3,287,000)	(3,902,000)
Gain on sale of assets, net of applicable income taxes of \$469,000 . . . . .	2,324,000	—
	<u>(963,000)</u>	<u>(3,902,000)</u>
<b>Net Earnings</b> . . . . .	<u>\$ 25,582,000</u>	<u>\$ 13,516,000</u>
<b>Earnings Per Share</b> (based on average number of shares outstanding) . . . . .		
Net earnings before extraordinary items . . . . .	\$3.26	\$2.14
Extraordinary items . . . . .	(.12)	(.48)
Net earnings . . . . .	<u>\$3.14</u>	<u>\$1.66</u>

**Consolidated Statement of Retained Earnings**

	For The Years Ended December 31,	
	1975	1974
<b>Balance, At Beginning of Year</b> . . . . .	\$ 63,611,000	\$ 54,167,000
<b>Net Earnings</b> . . . . .	25,582,000	13,516,000
	<u>89,193,000</u>	<u>67,683,000</u>
<b>Dividends Declared</b>		
Class A shares . . . . .	2,792,000	2,786,000
Class B shares . . . . .	1,286,000	1,286,000
	<u>4,078,000</u>	<u>4,072,000</u>
<b>Balance, At End of Year</b> . . . . .	<u>\$ 85,115,000</u>	<u>\$ 63,611,000</u>

Approved on behalf of the Board:

## Director

## Director

**\$379,155,000**



**Liabilities**

	1975	1974
<b>CURRENT LIABILITIES</b>		
Bank indebtedness . . . . .	\$ —	\$ 20,700,000
Accounts payable and accrued charges . . . . .	18,630,000	14,424,000
Dividends . . . . .	2,040,000	2,036,000
Income taxes . . . . .	12,648,000	7,078,000
Current maturities on long-term debt . . . . .	10,708,000	8,817,000
	<u>44,026,000</u>	<u>53,055,000</u>
LONG-TERM DEBT (Notes 2 and 4) . . . . .	72,600,000	68,119,000
<b>ACCUMULATED TAX REDUCTION APPLICABLE TO FUTURE YEARS . . . . .</b>	<b>49,918,000</b>	<b>47,858,000</b>
MINORITY INTEREST . . . . .	12,638,000	12,880,000

**Shareholders' Equity****CAPITAL STOCK (Note 6)**

## Authorized

1,000,000 preferred shares, par value \$50 each

10,000,000 class A shares of no par value

5,000,000 class B shares of no par value

## Issued

5,584,535 class A shares (1974 — 5,571,287) . . . . . 113,278,000 113,013,000

2,572,905 class B shares . . . . . 20,619,000 20,619,000

133,897,000 133,632,000

RETAINED EARNINGS (Notes 6 and 9) . . . . . 85,115,000 63,611,000

219,012,000 197,243,000\$398,194,000\$379,155,000

## Notes to 1974 and 1975 Consolidated Financial Statements

(tabular amounts shown in thousands of Canadian dollars)

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### PRINCIPLES OF CONSOLIDATION

- (a) The consolidated financial statements include the accounts of all companies in which the Company has ownership of more than 50% of the voting capital stock.
- (b) The Company follows the equity method of accounting for its investment in 50% owned companies and a 20% partnership interest. Under this method the Company's investment in such entities is carried on the balance sheet at cost plus its share of undistributed earnings or losses. The Company's share of the net earnings of these entities is included in investment income in the consolidated statement of earnings.
- (c) Current assets and current liabilities of foreign subsidiaries are converted to Canadian dollars using the exchange rate at the date of the balance sheet. Other assets and liabilities are converted at the rate in effect at the time the original transactions took place. Revenue and expense items (excluding depletion and depreciation, which are converted at the rate of exchange applicable to the related asset) are converted using average rates of exchange throughout the year.

#### OIL AND GAS OPERATIONS

The Company and its subsidiaries follow the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas and related reserves are capitalized and charged against income as set out below. Such costs include land acquisition costs, geological and geophysical expense, carrying charges of non-producing property, costs of drilling both productive and non-productive wells and overhead expense related to exploration activities. The costs are accumulated in cost centres as follows:

- (a) North America — Canada and the United States.
- (b) Northwestern Europe — the United Kingdom and the Northwestern European Continental Shelf which presently encompasses all sectors of the North Sea, the Celtic Sea and the English Channel.
- (c) Other Areas — a separate cost centre for the Athabasca Tar Sands and for each foreign area in which the Company is engaged in exploration activities.

Costs accumulated in the North America cost centre are depleted using the unit of production method based upon estimated proven developed reserves, as determined by Company engineers. In calculating depletion, natural gas, and sulphur reserves and production are converted to equivalent barrels of crude oil based on the relative net sales value of each product.

Expenditures in the areas outlined in (b) and (c) above are amortized on a straight line basis over varying periods. Under this policy, should exploration in a particular area prove successful, the unamortized balance in that cost centre will be depleted on the unit of production basis. Should the area prove to be unproductive, the unamortized balance in that cost centre will be written off to income (included in depletion).

#### MINING OPERATIONS

Mining costs are charged to earnings in the year of expenditure (included in depletion), until such time as the presence of economically recoverable reserves is established. Subsequent expenditures are capitalized and will be depleted on a unit of production basis after commercial production commences. Economically recoverable reserves are defined by Company engineers as reserves which are capable or have a reasonable prospect of sustaining commercial production. To date, none of the Company's properties has reached the commercial production stage.

#### INCOME TAXES

The Company follows the tax allocation method of accounting under which the income tax provision is based on the earnings reported in the accounts. Under this method, the Company makes full provision for income taxes deferred as the result of claiming capital cost allowances and exploration and development costs in excess of the amounts provided for depreciation and depletion in the accounts.

#### RECLASSIFICATION OF 1974 ACCOUNTS

Certain 1974 accounts have been reclassified to conform with the 1975 financial statement presentation.



**Note 1 Business Combination**

During 1973 and 1974, the Company purchased an 85.6% interest in Scurry-Rainbow Oil Limited, a publicly traded natural resources company, for a consideration of \$59,369,000. Such consideration equates to \$31,392,000 of net assets acquired and \$40,902,000 (including minority interest of \$12,925,000) of assigned value over book value of acquired assets. The excess of assigned value over book value of acquired assets is subject to the accounting policies outlined in the above summary. The effective date of the acquisition was June 1, 1974. For comparative purposes the following proforma information shows consolidated earnings as though the combination had occurred at January 1, 1974.

Revenue	\$84,259
Extraordinary item	\$ 3,902
Net earnings	\$12,669
Earnings per share	
Net earnings before extraordinary item	\$ 2.03
Extraordinary item	\$(0.48)
Net earnings	<u>\$ 1.55</u>

Funds applied during 1974 on acquisition of Scurry-Rainbow Oil Limited comprised:

Investment and advances	\$ 2,823
Property, plant and equipment	74,253
Other assets	431
Long-term debt	(14,341)
Accumulated tax reduction applicable to future years	(6,502)
Minority interest	(12,490)
	<u>\$ 44,174</u>

**Note 2 Investment in Quoted Securities**

	December 31, 1975		
	Number of Shares	Cost	Quoted Market Value
TransCanada PipeLines Limited			
— common shares	1,186,000	\$10,022	\$12,750
	December 31, 1974		
	Number of Shares	Cost	Quoted Market Value
TransCanada PipeLines Limited			
— common shares	1,500,000	\$12,675	\$12,375
Atlantic Richfield Company			
— common shares	248,636	28,994	22,365
		<u>\$41,669</u>	<u>\$34,740</u>

The shares of TransCanada PipeLines Limited are pledged to secure certain long-term debt.

During 1975 the Company reduced its holdings in Atlantic Richfield Company to 20,000 shares. Such shares are classified as current assets at an amount approximating market value.

**Note 3 Property, Plant and Equipment**

The following is a summary of the cost of property, plant and equipment and the related accumulated depreciation and depletion.

	December 31, 1975			December 31, 1974		
	Cost	Accumulated Depletion and Depreciation	Net	Cost	Accumulated Depletion and Depreciation	Net
Petroleum and natural gas leases and rights, including exploration and development						
— North America	\$312,435	\$107,066	\$205,369	\$292,876	\$ 90,494	\$202,382
— Northwestern Europe	15,067	5,806	9,261	14,048	4,322	9,726
— Other areas	4,665	1,915	2,750	2,477	1,012	1,465
Mining Properties	28,173	4,257	23,916	26,633	2,768	23,865
Production Equipment	44,614	15,229	29,385	39,986	13,686	26,300
Land, buildings, pipeline property and other equipment	29,451	10,947	18,504	30,330	9,679	20,651
	<u>\$434,405</u>	<u>\$145,220</u>	<u>\$289,185</u>	<u>\$406,350</u>	<u>\$121,961</u>	<u>\$284,389</u>

## Note 4 Long-Term Debt

	December 31,	
	1975	1974
<b>Home Oil Company Limited</b>		
11½% Secured Bonds, due April 1, 1986 (repayable in equal quarterly instalments)	\$15,000	\$ —
8.20% Secured Bonds, Series B, due April 30, 1980 (\$8,340,000 U.S.)*	8,800	11,458
6¾% Secured Bonds, due January 1, 1983	—	2,434
6¼% Collateral Trust Bonds, due April 1, 1983 (subject to annual sinking fund payments)	8,000	9,000
6¾% Mortgage, maturing January 1, 1978*	297	432
Bank Production Loan, Part I, evidenced by demand note (repayable in equal quarterly instalments) due July 1, 1980	11,875	14,375
Bank Production Loan, Part II evidenced by demand note (repayable in equal quarterly instalments) due November 1, 1981	13,000	15,000
<b>Scurry-Rainbow Oil Limited</b>		
Non-interest bearing advances under exploration agreement due October 1, 1979	381	381
6¾%, 7% and 9% mortgages due 1976 to 1981	—	520
Non-interest bearing agreement due July 23, 1990 (\$374,000 U.S.) repayable at \$25,000 U.S. per annum	362	350
7¼% Convertible Subordinated Debentures due May 1, 1988 (subject to annual sinking fund payments)**	16,602	16,602
<b>United Oils, Limited</b>		
8.10% Secured Bonds, Series B, due March 31, 1980 (\$2,675,000 U.S.)*	2,838	3,451
<b>Home Petroleum Corporation</b>		
Non-interest bearing gas development advance, due 1983 (\$6,070,000 U.S.)	6,103	2,933
Non-interest bearing gas development advance, due 1980 (\$49,000 U.S.)	50	—
	83,308	76,936
	10,708	8,817
Less: Current minimum maturities	<u>\$72,600</u>	<u>\$68,119</u>

\* Repayable in monthly instalments.

\*\* Convertible into shares of Scurry-Rainbow Oil Limited prior to May, 1978 at \$33 1/3 per share.

All U.S. issues are recorded on the balance sheets in Canadian dollars based on the exchange rate in effect at the date of receipt of the proceeds.

The estimated amount of long-term debt maturities and sinking fund requirements for the five years subsequent to 1975 are as follows: 1976 — \$10.7 million, 1977 — \$11.9 million, 1978 — \$11.5 million, 1979 — \$9.6 million, 1980 — \$9.0 million.

## Note 5 Income Taxes

Total income tax expense amounted to \$29,598,000 in 1975 and \$19,105,000 in 1974. These amounts differ from the results which would be obtained by applying the Canadian Federal income tax rate of 50% for 1975 and 1974 to the respective years' pretax earnings, before extraordinary items, of \$56,143,000 and \$36,523,000. These differences result from the following items:

	1975		1974	
	Amount	Percentage of Pretax Income	Amount	Percentage of Pretax Income
Computed "expected" tax expense	\$28,072	50.0%	\$18,262	50.0%
Increases (reductions) in taxes resulting from:				
Royalties and other payments to provincial governments	20,059	35.7	11,419	31.3
Federal tax abatements, net of provincial income taxes	(10,299)	(18.4)	(3,693)	(10.1)
Refund of taxes under provincial incentive plans	(7,151)	(12.7)	(2,664)	(7.3)
Depletion allowances on Canadian oil and gas production income	(5,523)	(9.8)	(6,793)	(18.6)
Net earnings of 50% owned companies	(818)	(1.5)	(1,070)	(2.9)
Non-deductible costs, primarily foreign exploration	5,258	9.4	3,644	9.9
Actual tax expense				
— current and deferred	<u>\$29,598</u>	<u>52.7%</u>	<u>\$19,105</u>	<u>52.3%</u>



**Note 6 Capital Stock****(a) Dividends**

There are restrictions on the payment of dividends on the Class B shares and of dividends in excess of 25¢ per annum on the Class A shares under the provisions of the deeds of trust and mortgage securing certain of the outstanding long-term debt. Under the most restrictive provision, the amount permitted thereunder for payment of dividends was in excess of the retained earnings at December 31, 1975. Reference is made to Note 9 for further restrictions on the payment of dividends under the Federal Anti-Inflation Legislation.

**(b) Shares Reserved for Exercise of Warrants**

There were 109,965 Class A shares reserved at December 31, 1975 for issuance upon the exercise, on or before April 30, 1980, of warrants to purchase 76,975 shares at \$14.55 U.S. per share and 32,990 shares at \$17.66 U.S. per share.

**(c) Options to Purchase Capital Stock**

As at December 31, 1975 there were 86,434 Class A shares reserved for exercise to 1984, of employee stock options at \$20 and \$29.625 per share.

The exercise prices were equal to or greater than the market price of the shares at the date of granting. In the case of options granted to senior officers, the Company has agreed to accept notes in payment of the optioned shares.

A summary of transactions relating to optioned shares is as follows:

<u>Class A Shares</u>	<u>Officers</u>	<u>Other Employees</u>	<u>Total</u>	<u>Consideration</u>
Outstanding January 1, 1974 . . . . .	39,400	52,450	91,850	
Reclassification . . . . .	3,000	(3,000)	—	
Surrendered and Cancelled . . . . .	(42,400)	(40,500)	(82,900)	
Granted at \$20 . . . . .	45,400	50,500	95,900	
Exercised at \$29.625 . . . . .	—	(2,000)	(2,000)	\$ 59
Outstanding December 31, 1974 . . . . .	45,400	57,450	102,850	
Reclassification . . . . .	3,000	(3,000)	—	
Surrendered and Cancelled . . . . .	—	(3,668)	(3,668)	
Granted at \$20 . . . . .	—	500	500	
Exercised at \$20 . . . . .	(12,000)	(1,248)	(13,248)	\$265
Outstanding December 31, 1975 . . . . .	<u>36,400</u>	<u>50,034</u>	<u>86,434</u>	

All options were granted under the Officers' and Key Employees' Share Option Plan which terminates in 1979. At December 31, 1975, 12,768 Class A shares were reserved for options that may be granted under the plan.

(d) During 1975, 13,248 (1974 — 2,000) Class A shares were issued for cash and notes of \$265,000 (1974 — \$59,000) on exercise of employee options.

Other assets at December 31, 1975 include notes totalling \$440,000 received in payment of 22,000 Class A shares of the Company subscribed for by officers pursuant to share option agreements.

(e) During 1975, by means of Supplementary Letters Patent, the Company increased the number of authorized Class A shares from 7,000,000 to 10,000,000.

**Note 7 Contingent Liabilities**

The Company has guaranteed the indebtedness and certain other obligations of associated entities to the extent of approximately \$9.2 million.

**Note 8 Remuneration of Directors and Officers**

The Company had 19 directors and 14 senior officers in 1975 (16 and 13 respectively in 1974). Three of the senior officers are directors of the Company. Remuneration paid to directors and senior officers in their respective capacities was \$117,000 and \$707,000 (1974 — \$103,000 and \$551,000).

**Note 9 Anti-Inflation Legislation**

Certain of the provisions contained in the Federal Anti-Inflation Act which was enacted with effect from October 14, 1975 apply to the Company. Included in these provisions are restrictions that place restraints on the amounts of employee compensation and dividends which may be paid.

The dividend regulations restrict the amount of dividends the Company can declare or pay during the compliance period from October 14, 1975 to October 13, 1976. However under the restrictions the Company may be able to increase its semi-annual dividend payable on July 1, 1976 over the amount paid in previous years.

With the exception of the above, substantially all of the Company's operations are exempt from the provisions of the Act. Therefore there is no appreciable effect on the earnings of the Company in 1975.

---

## **Auditors' Report**

To the Shareholders of Home Oil Company Limited

We have examined the consolidated balance sheets of Home Oil Company Limited and subsidiaries as at December 31, 1974 and 1975, and the related consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. Our examinations of the financial statements of Home Oil Company Limited (the parent company) and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and 1975 and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Alberta, Canada  
February 23, 1976



THORNE RIDDELL & CO.  
Chartered Accountants



## Home's Shares

The Company has two classes of shares outstanding, Class A and Class B, which are listed on the Alberta, Montreal, Toronto and Vancouver stock exchanges in Canada and on the American and Pacific Coast stock exchanges in the United States.

Class A shares are entitled to a fixed cumulative dividend of \$0.25 per year in priority to dividends on the Class B shares. After payment of this dividend on the Class A shares a dividend of \$0.25 per share may be paid on the Class B shares. Any further dividend in any year is payable equally on the Class A and Class B shares. Only the Class B shares carry voting rights under normal circumstances.

The Company is effectively controlled by The Consumers' Gas Company of Toronto through its ownership at December 31, 1975, of approximately 96 per cent of the outstanding shares of Cygnus Corporation Limited. Cygnus in turn holds 1,000,000 Class B shares of Home. Consumers' also owns 276,788 Class B shares of Home bringing its effective control of such shares to 1,276,788 or 49.6 per cent at December 31, 1975. The outstanding warrants covering 109,965 Class A shares of Home are also held by Cygnus.

	CLASS A		CLASS B	
	1975	1974	1975	1974
Shares Authorized . . . . .	10,000,000	7,000,000	5,000,000	5,000,000
Shares Issued at December 31 . . . . .	5,584,535	5,571,287	2,572,905	2,572,905
Shares Reserved for:				
Warrants . . . . .	109,965	109,965	—	—
Options . . . . .	99,202	112,450	—	—
Number of Shareholders . . . . .	9,744	9,840	2,825	2,932
Distribution of Shares at December 31				
Canada . . . . .	92.1%	90.7%	96.3%	96.2%
United States . . . . .	6.9	8.4	3.2	3.3
United Kingdom . . . . .	.6	.7	.1	.1
Other . . . . .	.4	.2	.4	.4
	100.0%	100.0%	100.0%	100.0%
Volume of Shares Traded . . . . .	1,903,925	1,435,842	286,607	236,641
Federal Government Valuation				
Day Values . . . . .	\$33.38 per share		\$33.00 per share	
Price Ranges (High-Low)				
Toronto Stock Exchange				
First Quarter . . . . .	24¼ - 16¼	55% - 48%	24 - 17	51 - 44
Second Quarter . . . . .	31¼ - 20%	52% - 30%	27½ - 19%	48½ - 30¼
Third Quarter . . . . .	30% - 24	39% - 18	27 - 22	36¼ - 16½
Fourth Quarter . . . . .	29½ - 24%	25% - 14%	25 - 21%	22 - 12%
American Stock Exchange				
First Quarter . . . . .	24½ - 16¼	56 - 49%	23½ - 18½	52 - 46
Second Quarter . . . . .	30 - 20%	53% - 31¼	26¼ - 18%	48% - 33¼
Third Quarter . . . . .	29 - 23%	41 - 18%	29% - 20%	36½ - 17
Fourth Quarter . . . . .	29¼ - 23%	24% - 15%	24 - 21½	22% - 14½
Dividends Declared Per Share				
(\$0.25 per share paid semi-annually on January 1 and July 1 each year) . . . . .	\$0.50	\$0.50	\$0.50	\$0.50



## Five Year Review / 1971 - 1975

		1975	1974	1973	1972	1971
<b>Earnings</b>	Gross Revenue .....	\$ 109,579,000	79,520,000	56,014,000	39,933,000	34,252,000
	Net Earnings (before Extraordinary Items) .....	\$ 26,545,000	17,418,000	14,512,000	7,090,000	4,664,000
	Per Share .....	\$ 3.26	2.14	1.90	.96	.65
	Extraordinary Items .....	\$ (963,000)	(3,902,000)	(295,000)	2,198,000	838,000
	Per Share .....	\$ (.12)	(.48)	(.04)	.30	.12
<b>Balance Sheet</b>	Working Capital (Deficiency) .....	\$ 33,721,000	(16,884,000)	(2,736,000)	4,626,000	(21,782,000)
	Investment in other Companies .....	\$ 28,113,000	56,579,000	79,614,000	71,452,000	76,949,000
	Property, Plant and Equipment — Net .....	\$ 289,185,000	284,389,000	174,262,000	167,436,000	171,057,000
	Long-Term Debt (Less Current Maturities) .....	\$ 72,600,000	68,119,000	32,466,000	66,897,000	55,760,000
	Deferred Income Taxes .....	\$ 49,918,000	47,858,000	31,974,000	28,320,000	27,575,000
	Minority Interest .....	\$ 12,638,000	12,880,000	316,000	347,000	314,000
	Capital Stock .....	\$ 133,897,000	133,632,000	133,573,000	104,506,000	104,377,000
	Retained Earnings .....	\$ 85,115,000	63,611,000	54,167,000	43,825,000	38,227,000
<b>Exploration and Development</b>	Exploration Expenditures .....	\$ 20,199,000	31,445,000	17,720,000	10,272,000	9,194,000
	Development Expenditures .....	\$ 9,885,000	3,745,000	3,478,000	5,254,000	4,265,000
	Gross Exploration Acreage .....	33,850,000	43,247,000	27,651,000	21,618,000	10,294,000
	Net Exploration Acreage .....	7,976,000	11,797,000	7,340,000	5,797,000	4,566,000
<b>Drilling Activity</b>	Gross Working Interest Wells Drilled .....	92	107	72	32	54
	Net Oil Wells .....	4	4	4	2	4
	Net Gas Wells .....	31	9	2	1	5
	Net Dry Wells .....	46	25	17	7	12
	(Excludes wells drilled by others under farmout agreements)					
<b>Proven Developed Reserves</b>	Crude Oil and Natural Gas Liquids — barrels .....	152,725,000	166,593,000	155,701,000	167,967,000	177,878,000
	Natural Gas — thousand cubic feet .....	782,570,000	810,822,000	726,228,000	807,701,000	851,835,000
	Sulphur — long tons .....	1,786,400	2,154,300	1,662,900	1,712,700	1,724,600
<b>Production and Operations</b>	Crude Oil and Natural Gas Liquids Production — barrels per day .....	39,656	37,803	36,030	29,385	24,997
	Natural Gas Sales — thousand cubic feet per day .....	125,174	119,523	121,495	115,162	106,603
	Sulphur Sales — long tons .....	35,801	54,886	48,884	48,531	54,743
	Cremona Pipe Line Division Daily Average Gatherings — barrels ...	43,759	46,517	45,817	43,411	38,854
	Federated Pipe Lines Ltd. — (50% Owned) Daily Average Gatherings — barrels ..	294,738	314,524	330,420	258,907	211,701
	Dividends Declared Per Class A Share ...	\$ .50	.50	.50	.50	.50
	Dividends Declared Per Class B Share ...	\$ .50	.50	.50	.50	.50
<b>Shares and Dividends</b>	Number of Shares Outstanding — end of year .....	8,157,000	8,144,000	8,142,000	7,364,000	7,358,000
	Number of Shareholders .....	12,570	11,200	11,100	11,100	12,300

NOTES: (1) Financial and operating results of Scurry-Rainbow Oil Limited are included from June 1, 1974.

(2) Earnings per share are calculated on the basis of average number of shares outstanding during the year.

(3) Above data incorporates retroactive adjustments.



## Directors

### \* ANTHONY G. S. GRIFFIN (Toronto, Ontario)

Chairman of the Boards of the Company, The Commercial Life Assurance Company of Canada, The Halifax Insurance Company, Scurry-Rainbow Oil Limited.

Director: Canadian Corporate Management Co. Ltd., Canadian Industries Limited, The Consumers' Gas Company, ICI Americas Inc., National Film Board, Raymond International Inc., Triarch Corporation Limited, United Dominions Corporation (Canada) Limited, Victoria & Grey Trust Company.

### GEORGE W. CARPENTER (Toronto, Ontario)

Executive Vice-President and Director of The Consumers' Gas Company

### MARSH A. COOPER (Toronto, Ontario)

President and Managing Director of Falconbridge Nickel Mines Limited.

Chairman of the Boards of Alminex Limited, McIntyre Mines Limited.

Director: Abitibi Paper Company Ltd., Burns Foods Limited, Canadian Imperial Bank of Commerce, Crown Life Insurance Company, Mogul of Ireland Limited, The Superior Oil Company.

### \* GEORGE E. CREBER, Q.C. (Toronto, Ontario)

President and Chief Executive Officer and Director of The Consumers' Gas Company.

Director: The Canada Trust Company, The Huron and Erie Mortgage Corporation, Rothmans of Pall Mall Canada Limited, Scurry-Rainbow Oil Limited.

### PERCY M. FOX (Bermuda)

Chairman of the Board of the Great Lakes Paper Company, Limited.

Director: Falconbridge International Limited, St. Lawrence Corporation Limited.

Honorary Director: The Royal Trust Company.

### \* J. DOUGLAS GIBSON, O.B.E. (Toronto, Ontario)

Chairman of the Board of The Consumers' Gas Company.

Chairman of the Board of Cygnus Corporation Limited.

Chairman of the Boards of Canadian Reinsurance and Canadian Reassurance Companies.

Director: Bell Canada, Harding Carpets Limited, The Imperial Life Assurance Company of Canada, Moore Corporation Limited, National Trust Company Limited, Northern Electric Company, Limited, Steel Company of Canada Limited.

### \*# THE HON. HARRY W. HAYS, P.C. (Calgary, Alta.)

Rancher.

Member of the Senate of Canada.

Director: Canada Permanent Companies.

### JAMES INNES (London, England)

Investment Consultant, Hedderwick, Stirling, Grumbar and Co.

Chairman of the University Life Assurance Society.

### WILLIAM F. JAMES, Ph.D. (Toronto, Ontario)

Vice-President and Director of Alminex Limited.

Director: Bayer Foreign Investments Limited, Campbell Red Lake Mines Limited, Dome Mines Limited, Falconbridge Dominicana C por A, Falconbridge Nickel Mines Limited, Giant Yellowknife Mines Limited, Grafton Group Limited, Granby Mining Corporation, Irish Base Metals Limited, Newconex Holdings Limited, Northgate Exploration Limited.

### \*# HENRY E. LANGFORD, Q.C. (Toronto, Ontario)

Corporate Director.

Director: Casualty Insurance Company, The Consumers' Gas Company, The Dominion of Canada General Insurance Company, E. L. Financial Corporation, The Empire Life Insurance Company, Scurry-Rainbow Oil Limited, Victoria & Grey Trust Company.

### PETER L. P. MACDONNELL, Q.C. (Edmonton, Alberta)

Partner, Milner & Steer, Barristers and Solicitors.

Director: Alberta Energy Company, The Alberta Gas Ethylene Company Limited, The Alberta Gas Trunk Line Company Limited, CAE Industries Ltd., Canadian Utilities Limited, Edmonton Broadcasting Company Limited, GWG Limited, North American Life Assurance Company, Northern Transportation Company Limited, The Royal Bank of Canada, Western Supplies Limited.

### THE RT. HON. LORD McFADZEAN (London, England)

Deputy Chairman of the Midland Bank Limited, London, England.

Deputy Chairman: The Canada Life Assurance Company of Great Britain Limited, National Nuclear Corporation Ltd.

Honorary Life President, BICC Limited.

Director: The Canada Life Assurance Company.

Director Emeritus: Canadian Imperial Bank of Commerce.

### MAURICE P. PAULSON (Calgary, Alberta)

Executive Vice-President and General Manager of the Company.

Director: Scurry-Rainbow Oil Limited.

### \* ROSS F. PHILLIPS (Calgary, Alberta)

President and Chief Executive Officer of the Company.

President and Chief Executive Officer and Director of Scurry-Rainbow Oil Limited.

Director: Calgary Power Limited, The Consumers' Gas Company, Crown Trust Company.

### HARRY I. PRICE (Toronto, Ontario)

Chairman of the Executive Committee and Director of Burns Foods Limited.

### # ARTHUR M. SHOULTS (Vancouver, British Columbia)

President and Chief Executive Officer of Bow River Equipment (1974) Ltd.

Chairman of the Boards of Comcore Communications Limited, CHQT Broadcasting Ltd.

Director: Banister Continental Ltd.

### RENAULT ST-LAURENT, Q.C. (Quebec City, Que.)

Partner, St-Laurent, Monast, Walters & Vallières, Barristers and Solicitors.

Director: Banque Canadienne Nationale, Gaz du Quebec Inc., I.A.C. Limited, The Imperial Life Assurance Company of Canada, Paccar of Canada Ltd., Reed Ltd., Reef Paper Ltd., Rothmans of Pall Mall Canada Limited, Scott Paper Limited, Sovereign General Insurance Company, Villa Medica Inc.

### # WILLIAM H. ZIMMERMAN, Q.C. (Toronto Ontario)

Counsel, Aird, Zimmerman & Berlis, Barristers and Solicitors.

Vice-Chairman of the Board of Eaton Group of Mutual Funds.

Director: The Becker Milk Company Limited, The Consumers' Gas Company, Eaton Financial Service Limited.

\* Member Executive Committee

# Member Audit Committee



